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TO RUEHC/SECSTATE WASHDC IMMEDIATE 3676  
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 4901  
RUEHLM/AMEMBASSY COLOMBO PRIORITY 5156  
RUEHKA/AMEMBASSY DHAKA PRIORITY 0313  
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 3150  
RUEHLO/AMEMBASSY LONDON PRIORITY 4541  
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0402  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 2041  
RUEKJCS/SECDEF WASHDC PRIORITY  
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C O N F I D E N T I A L KATHMANDU 002903

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TAGS: [PGOV](#) [PTER](#) [MARR](#) [NP](#)  
SUBJECT: PEACE AGREEMENT MOVING CLOSER?

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d)

Summary  
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¶1. (C) Dr. Shehkar Koirala, Prime Minister G.P. Koirala's nephew and a key member of the Government of Nepal (GON)'s informal talks team, told the DCM October 27 that the two sides were converging on a peace deal. He claimed the GON and the Maoists had managed to reach agreement on nearly all of the open issues in informal talks since the last peace summit on October 15. He requested technical assistance from the USG in three areas: federalism, methods of seat allocation in the constituent assembly, and, crucially, modalities of securing Maoist arms. Dr. Koirala repeated the final request on October 30. He told the P/E chief that, if there had been agreement on the final issue, the PM and Communist Party of Nepal (Maoist) (CPN-M) Supremo Prachanda would have called for another peace summit October 30. As it was, on October 29, after Prachanda met informally with the PM, the CPN-M declared a three-month extension of their cease-fire.

GON and Maoists Near A Deal, Including On the Monarchy  
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¶2. (C) On October 27, Prime Minister G.P. Koirala's nephew Dr. Shehkar Koirala, who is a member of the Central Working Committee (CWC) of the Nepali Congress Party (NC) and a key member of the Government of Nepal's (GON's) informal talks team, reported to the DCM that the GON and the Maoists were converging on a peace deal. He cited at length the areas of agreement between the two sides, to include, he claimed, the question of the monarchy. Dr. Koirala stated that even the CPN-M agreed that the King's future should be decided by the constituent assembly. That presumed, however, a deal on arms management. If there were no deal, he said, the Maoists planned to join the Communist Party of Nepal - United Marxist Leninist in supporting a referendum on the monarchy. The remaining issues regarding the king were resolved, he maintained. King Gyanendra would retain no political role. All of the Seven-Party Alliance (SPA) members and the Maoists had decided that the King would be stripped of all property except his personal property. What he had inherited from his late brother, would go into a trust the PM would control. What he had inherited from the dynasty, Dr. Koirala said,

would become the property of the state.

#### Near Consensus On Other Issues

13. (C) Dr. Koirala told the DCM that the nature of Nepalese federalism was a bigger issue than the future of the monarchy. The Maoist plan to break the country down by ethnic or religious lines was a disaster, but some form of devolution of power from the capital to the regions was necessary. He requested U.S. technical assistance in this area. With respect to the interim parliament, the plan was to carry over the existing 200-plus Members of the House of Representatives (the lower house) and add roughly another hundred to give the Maoists parity with the Communist Party of Nepal - United Marxist Leninist (CPN-UML) and to increase other Seven-Party Alliance (SPA) representation. With respect to the constituent assembly, PM Koirala's nephew said the CPN-M had accepted a mixed system with 205 members directly elected as at present in the lower house of Parliament. The remaining seats, around 100, would be allocated based on a proportional system not yet agreed upon.

In this area, the CWC member also requested U.S. suggestions. The two sides were still negotiating over whether the interim government would assign four seats each to the NC, the CPN-UML and the CPN-M or five seats each, not including the PM. PM Koirala wanted the Nepali Congress splinter party, the Nepali Congress - Democratic, to have four or five seats also, but Prachanda was willing to allow them only three to four. The smaller SPA parties, Dr. Koirala noted, would get one seat each.

#### Arms Management

14. (C) The biggest issue, according to the Prime Minister's nephew, was Maoist arms management. Dr. Koirala indicated that the PM was pushing for the "single-key" option with a UN seal. He asked whether the USG could provide additional options for the GON's consideration. The DCM replied that, we would be back in touch with him shortly with our views, but that our guiding principle was that the option chosen be one that clearly diminished the ability of the Maoists to intimidate the Nepali people. The USG would be concerned if Maoist Supremo Prachanda retained the only key and was able as a result to continue his party's reign of fear. Dr. Koirala concluded by saying that informal talks were continuing between the two sides on this issue, with assistance from the United Nations. The Prime Minister's nephew reiterated his request for USG guidance on the specifics of arms management in a phone call to the Political-Economic chief on October 30. During that call, he also mentioned that the PM and Prachanda had failed to have a meeting of the minds on the issue in an informal meeting Shehkar Koirala attended the day before. If they had agreed, another summit meeting of the SPA and the CPN-M -- the first since October 15 -- could have been held October 30.

#### Cease-fire Extended

15. (U) On October 29 after his meeting with the PM, Prachanda announced a second three-month extension of the CPN-M unilateral cease-fire first declared in late April 2006. (Note: Even some Nepalis were not clear when the old cease-fire expired because of the differences between the Roman calendar and the Nepali calendar.) The Maoist leader reportedly cited the "positive direction" in which the peace process was progressing. The goal of the extension, he added, was to "lead the talks to a positive conclusion."

#### Comment

16. (C) While the peace talks between the Government of Nepal and the Maoists could still break down, there is also an increasing possibility that they will lead to some sort of deal, at least in principle, in the not-too-distant future. The immediate issue is how to secure Maoist arms, but as Dr.

Koirala's requests for U.S. technical assistance reveal, there are more issues which have yet to be hammered down. We are working with our Mission's USAID conflict and transition experts and public diplomacy section to respond to his requests. We will stay in close touch with him as we enter what could be the endgame for this stage of Nepal's peace process.

MORIARTY